

## Message Text

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CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

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INFO ALL OECD CAPITALS 358

AMEMBASSY ALGIERS

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C O N F I D E N T I A L OECD PARIS SECTION 1 OF 3 20038

E.O. 11652: GDS

TAGS: OECD, EGEN, CIEC, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC SENIOR OFFICIALS MEETING: FIRST DAY

REF: OECD PARIS 17863

1. SUMMARY: THE FIRST DAY OF THE CIEC SENIOR OFFICIALS MEETING PROCEEDED IN A BUSINESSLIKE MANNER. THE CIEC CO-CHAIRMEN OUTLINED THEIR VIEWS ON THE FUTURE WORK OF CIEC; THE COMMISSION CO-CHAIRMEN REPORTED ON THE PAST WORK AND FUTURE PLANS OF THEIR COMMISSIONS; AND A NUMBER OF DELEGATIONS INDICATED THEIR PREFERRED AREAS FOR CIEC CONCENTRATION DURING THE NEXT MONTHS.

2. THE SENIOR OFFICIALS MEETING WAS NOT UTTERLY FREE OF CONTENTION, HOWEVER. SOME G-19 MEMBERS BACKED AWAY FROM THE JUNE 18 AGREEMENT BETWEEN THE CIEC AND COMMISSION CO-CHAIRMEN THAT THE COMMISSIONS BE ALLOWED TO ESTABLISH THEIR OWN WORK PROGRAMS FOR THE LAST HALF OF THE YEAR AND URGED THAT THE SENIOR OFFICIALS ESTABLISH SPECIFIC GUIDELINES AND AGREED AREAS OF CONCENTRATION FOR THE COMMISSIONS. THIS ISSUE ASIDE, HOWEVER, THE FIRST DAY MOVED SMARTLY ALONG, AND WITH A GENERALLY FAVORABLE ATMOSPHERE. END SUMMARY.

3. AFTER CIEC CO-CHAIRMAN MACEACHEN (CANADA) SUMMARIZED THE DECISIONS OF THE JUNE 17-18 MEETING OF CO-CHAIRMEN (REFTEL) HIS COUNTERPART PEREZ GUERRERO (VENEZUELA) EXPRESSED G-19 DISAPPOINTMENT THAT CIEC HAD NOT BEEN ABLE TO MOVE BEYOND ITS ANALYTICAL STAGE BEFORE UNCTAD. NEVERTHELESS, THE G-19 COUNTRIES WOULD PROCEED WITH CIEC IN THE HOPE THAT SUFFICIENT POLITICAL WILL WOULD BE FORTHCOMING TO PERMIT ACHIEVEMENT OF CONCRETE RESULTS. HE EMPHASIZED THAT THE QUOTE INEQUITY AND IRRATIONALITY END QUOTE OF THE OLD ECONOMIC ORDER MUST BE ELIMINATED AND THE NEW INTERNATIONAL ECONOMIC ORDER CREATED. HE CAUTIONED THE INDUSTRIALIZED COUNTRIES AGAINST INACTION BECAUSE OF GLOBAL ECONOMIC

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RECOVERY. HE CONTENTED THAT INTERNATIONAL INTERDEPENDENCE MEANT THAT IT WAS NO LONGER POSSIBLE FOR ONE GROUP OF NATIONS TO DECIDE THE ECONOMIC FUTURE FOR ALL NATIONS.

4. SEVERAL G-19 DELEGATIONS AMPLIFIED THESE THEMES DURING THE SESSION. MEXICO, NIGERIA, AND YUGOSLAVIA CRITICIZED THE QUOTE LESS THAN SATISFACTORY END QUOTE WORK OF CIEC UP TILL NOW. THEY BLAMED THIS RESULT

ON INSUFFICIENT POLITICAL WILL BY THE INDUSTRIALIZED COUNTRIES. IN A SOMEWHAT MORE MODERATE TONE, THE INDONESIAN DELEGATE SAID CIEC WAS ENGAGED IN THE HISTORICAL PROCESS OF SECURING THE QUOTE ECONOMIC AND POLITICAL EMANCIPATION END QUOTE OF 113 COUNTRIES BUT THAT THIS EMANCIPATION SHOULD BE ACHIEVED IN AN QUOTE EQUITABLE END QUOTE MANNER. HE SAID A CHANGE IN METHODS WAS NEEDED IN THE SECOND HALF OF CIEC-- REPLACING THE QUOTE MULTILATERAL MONOLOGUE END QUOTE WITH QUOTE REAL DIALOGUE END QUOTE.

5. MEXICO, NIGERIA AND YUGOSLAVIA ALSO TOOK THE LEAD IN INSISTING THAT THE SENIOR OFFICIALS DEFINE THE AREAS OF CONCENTRATION FOR THE COMMISSIONS. THEY ASSERTED THAT THIS WAS THE ONLY WAY TO ENSURE ACHIEVEMENT OF AN INTERRELATED SET OF BINDING AGREEMENTS AT THE DECEMBER MINISTERIAL.

6 THE US, EC, SWITZERLAND AND SWEDEN ASSESSED POSITIVELY THE ANALYTICAL PHASE OF THE COMMISSIONS' WORK. THEY ASSERTED THAT THE ANALYSIS WAS ESSENTIAL FOR A FULL UNDERSTANDING OF THE COMPLEX PROBLEMS UNDER CONSIDERATION AND TO PREPARE FOR THE ACTION-ORIENTED PHASE, WHICH THEY ENDORSED. THESE DELEGATIONS SAID THE SENIOR OFFICIALS SHOULD GIVE POLITICAL IMPETUS TO THE FUTURE WORK OF THE COMMISSIONS. BUT THEY FIRMLY CONTENDED THAT THE COMMISSIONS MUST DEVELOP THEIR OWN WORK PROGRAMS, WHICH THEY WOULD UNDERTAKE TO DO DURING THEIR SESSIONS NEXT WEEK.

7. COMMENTS: THIS ISSUE OF COMMISSION GUIDELINES IS DIRECTLY RELATED TO WHO CONTROLS THE CIEC PROCESS. THE INDUSTRIALIZED COUNTRIES HAVE MAINTAINED THAT THE COMMISSIONS SHOULD DETERMINE THEIR OWN WORK SINCE THIS PROCEDURE GIVES US GREATER CONTROL OVER THEIR ACTIVITIES.

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TIES AND MINIMIZED G-19 POSSIBILITIES FOR POLITICAL LEVERAGING OF THE CIEC RESULTS. THOUGH THE OPEC/LDC REPRESENTATIVES BACKED DOWN ON THE SAME ISSUE AT THE OCTOBER PREPCON AND DECEMBER MINISTERIAL, SOME G-19 MEMBERS SEEM INTENT ON TRYING AGAIN TO GET THE FULL CONFERENCE OF 27 TO DEVELOP SPECIFIC GUIDELINES IN ORDER TO PREDETERMINE THE RESULTS OF THE COMMISSION'S WORK ON SPECIFIC TOPICS. THIS ISSUE WILL BE TAKEN UP AGAIN TOMORROW. END COMMENT.

8. AFTER THESE DISCUSSIONS, THE CHAIRMAN RECORDED THE CONSENSUS OF THE SENIOR OFFICIALS TO END THE ANALYTICAL

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WORK OF CIEC AND TO BEGIN THE NEW ACTION-ORIENTED PHASE. THEY FURTHER AGREED THAT THE OBJECTIVE OF THE LATTER PHASE SHOULD BE THE ACHIEVEMENT OF CONCRETE RESULTS SATISFACTORY TO ALL ANTIIONS WHICH WOULD CONSTITUTE A SIGNIFICANT ADVANCE IN INTERNATIONAL COOPERATION. THEY POSTPONED A DECISION ON WHETHER THE SENIOR OFFICIALS SHOULD PROVIDE SPECIFIC GUIDELINES FO THE COMMISSIONS' WORK PROGRAMS.

9. THE SENIOR OFFICIALS ALSO ACCEPTED THE DATES FOR FUTURE COMMISSION MEETINGS AS RECOMMENDED BY THE CO-CHAIRMEN (REFTEL) BUT AGREED THAT COMMISSIONS COULD CHANGE THEIR SCHEDULES BY CONSENSUS IF DESIRED. IT WAS ALSO AGREED THAT THE COMMISSIONS WOULD DISCUSS SPECIFIC TOPICS AT EACH SESSION AND TRY TO COMPLETE WORK ON THEM AT THAT TIME. YET IT WAS RECOGNIZED THAT SOME CONTROVERSIAL ISSUES WOULD PROBABLY HAVE TO BE CARRIED OVER TO LATER SESSIONS.

10. REPORT OF COMMISSION CO-CHAIRMEN--THE CO-CHAIR SUMMARIZED THE WORK OF THEIR COMMISSIONS DURING THE FIRST HALF OF THE YEAR AND GAVE THEIR TENTATIVE ASSESSMENT OF HOW THEIR COMMISSIONS SHOULD PROCEED OVER THE NEXT MONTHS.

11. ENERGY COMMISSION -- U.S. CO-CHAIRMAN BOSWORTH SAID THE ENERGY COMMISSION HAD REACHED A CONSENSUS THAT THE WORLD ENERGY SYSTEM IS IN A PERIOD OF TRANSITION, BOTH WITH REGARD TO FUTURE ENERGY MIX AND THE RATE OF ENERGY CONSUMPTION. THIS TRANSITION SHOULD BE MANAGED TO ENSURE THAT IT PROCEEDED AT A RATIONAL PACE BENEFICIAL TO ALL NATIONS. HE SAID COMMISSION MEMBERS HAD AGREED THAT AN ADEQUATE SUPPLY OF ENERGY WAS ESSENTIAL TO THE ECONOMIC PROGRESS OF ALL COUNTRIES, THAT ENERTY CONSUMPTION IN DEVELOPING COUNTRIES WOULD LIKELY INCREASE WITH THEIR ECONOMIC DEVELOPMENTN AND THAT THE EDDCS NEEDED INTERNATIONAL ASSISTANCE TO DEAL

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WITH THEIR ENERGY PROBLEMS.

REGARDING THE COMMISSION'S FUTURE WORK PORGRAM,

BOSWORTH SAID ITS MAJOR TASK WOULD BE TO IDENTIFY AND STRENGTHEN EXISTING AREAS OF INTERNATIONAL ENERGY COOPERATION AND TO ESTABLISH NEW AREAS FOR FUTURE COOPERATION.

SAUDI CO-CHAIRMAN TAHER FOCUSED ON AREAS WHICH HE DID NOT THINK HAD BEEN SUFFICIENTLY EXAMINED IN THE ENERGY COMMISSION: THE DEVELOPMENT OF ENERGY ALTERNATIVES TO OIL AND GAS AS WELL AS LONG-TERM ENERGY PROBLEMS. HE ASKED FOR GUIDANCE FROM THE CHAIR AS TO HOW THE WORK OF THE ENERGY COMMISSION COULD BEST BE LINKED TO THAT IN THE OTHER COMMISSION. (PRESIDING CO-CHAIRMAN PEREZ GUERRERO PROMISED THAT THE ISSUE WOULD BE TAKEN UP LATER.)

12. RAW MATERIALS COMMISSION-- SPEAKING FOR THE ABSENT JAPANESE CO-CHAIRMAN MIYAZAKI, MR KAYA STRESSED THE COMPLEXITY OF RAW MATERIALS ISSUES; SAID COMMISSION DISCUSSIONS HAD CONCENTRATED ON PRICES, TRADE EXPERIENCES, AND MEASURES TO DEAL WITH RAW MATERIAL

PROBLEMS: AND EXPRESSED THE VIEW THAT THE WORK IN THE COMMISSION HAD PLAYED A POSITIVE ROLE IN THE ACHIEVEMENTS ON COMMODITIES AT UNCTAD. A REPORT WAS NOT GIVEN FOR THE ABSENT PERUVIAN CO-CHAIRMAN.

13. DEVELOPMENT COMMISSION--EC CO-CHAIRMAN AELLE STEIN SUMMARIZED THE MAJOR TOPICS CONSIDERED DURING THE ANALYTICAL PHASE. HE EMPHASIZED THAT THE COMMISSION HAD CONTRIBUTED DIRECTLY TO THE CREATION OF IFAD. ON A PERSONAL BASIS, WELLENSTEIN SUGGESTED THAT DURING THE LAST HALF OF THE YEAR, THE COMMISSION WOULD CONCENTRATE ON: 1) TRANSFER OF RESOURCES, 2) FOOD AND AGRICULTURE, 3) COOPERATION IN INDUSTRIALIZATION AND TRANSFER OF TECHNOLOGY, AND 4) INFRASTRUCTURE.

AIT CHALLAL (ALGERIAN CO-CHAIRMAN) EMPHASIZED CONFIDENTIAL

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G-19 DISAPPOINTMENT AT THE FAILURE OF THE DEVELOPMENT COMMISSION TO ACHIEVE TANGIBLE RESULTS. HE DIDN HOWEVER, AGREE THAT THE STATEMENT ON IFAD HAD BEEN WORTHWHILE. HE SAID THAT, WHILE IT WAS DIFFICULT TO DETERMINE CIEC'S INFLUENCE ON UNCTAD, CIEC WOULD GIVE THE INDUSTRIALIZED COUNTRIES A NEW OPPORTUNITY TO DEMONSTRATE THEIR POLITICAL WILL BY WAIVING HEAVY OBJECTIONS TO UNCTAD RESOLUTIONS.

AIT CHALLAL EMPHASIZED THE NEED FOR GREATER

COORDINATION AMONG THE FOUR COMMISSIONS. HE SUGGESTED THE POSSIBILITY OF JOINT SESSIONS BETWEEN THE DEVELOPMENT AND FINANCE COMMISSIONS TO DEAL WITH OVERLAPPING ISSUES. YEGANEH (IRANIAN CO-CHAIRMAN, FINANCE COMMISSION) SUBSEQUENTLY SUPPORTED THIS IDEA FOR HANDLING THE DEBT ISSUE AND ALSO SUGGESTED THE POSSIBILITY OF JOINT WORKING GROUPS TO DEAL WITH THIS AND OTHER ISSUES.

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14. FINANCE COMMISSION- YEGANEH SAID THE COMMISSION'S WORK HAD CONCENTRATED ON THE WORLD'S ECONOMIC AND FINANCIAL CONDITION, BALANCE OF PAYMENTS PROBLEMS OF DEVELOPING COUNTRIES, AND THE SPECIAL PROBLEM OF FINANCIAL SURPLUSES OF OIL PRODUCING COUNTRIES.

HE STRESSED THE LDCS' CONCERN WITH FUTURE INFLATION AND THEIR NEED FOR MASSIVE AMOUNTS OF CAPITAL TO ACHIEVE THEIR FUTURE DEVELOPMENT GOALS. HE CALLED FOR IMPROVEMENT IN ODA; SAID CIEC SHOULD FOLLOW UP ON THE UNCTAD RESOLUTION ON DEBT; AGREED THAT DEBT ISSUES SHOULD BE DISCUSSED IN THE DEVELOPMENT AND FINANCIAL COMMISSIONS; SAID THE DEVELOPMENT COMMISSION SHOULD HAVE PRIMARY RESPONSIBILITY FOR ODA AND THE SDR/AID LINK; AND SUGGESTED FINANCE COMMISSION DISCUSS MONETARY ASPECTS OF ISSUES CONSIDERED AND PASS ANY AGREED CONCLUSION TO IMF FOR CONSIDERATION.

OUTGOING CO-CHAIRMAN DONDELINGER (EC) AGREED THAT DEBT QUESTIONS SHOULD RECEIVE TOP PRIORITY IN THE FINANCIAL COMMISSION, BUT NOTED THAT 6-19 IDEAS ON GENERAL AND AUTOMATIC DEBT RELIEF WAS NOT SHARED BY ALL. HE SUGGESTED THAT, WHILE JOINT SESSIONS OF THE DEVELOPMENT AND FINANCIAL COMMISSION MIGHT BE ONE MEANS OF TREATING THE DEBT ISSUE, OTHER MEANS MIGHT ALSO BE AVAILABLE. HE EMPHASIZED THAT ODA WAS ONLY ONE WAY TO DEAL WITH THE BOP PROBLEM OF THE MSAS. DESCRIBING PRIVATE INVESTMENT TO THESE COUNTRIES AS OF "THE GREATEST IMPORTANCE" HE RECOMMENDED EXTENSIVE TREATMENT OF INVESTMENT IN FUTURE CIEC WORK. HE ALSO STRESSED THE NEED FOR THE FINANCIAL COMMISSION TO RESPECT THE COMPETENCE OF THE IMF IN MONETARY MATTERS.



15. DELEGATIONS RECOMMENDATIONS FOR FUTURE  
AREAS OF CONCENTRATION -- IN THEIR FORMAL  
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STATEMENTS, A NUMBER OF DELEGATIONS IDENTIFIED MAJOR  
AREAS FOR CONCENTRATION DURING THE LAST HALF OF CIEC.  
AFTER REVIEWING THE ANALYTICAL WORK OF THE FOUR  
COMMISSIONS, THE US DELEGATE (UNDER SECRETARY ROGERS)  
LISTED FIVE SUCH AREAS. HE CALLED FOR ENERGY  
COOPERATION 1) TO ASSIST EDDCS TO DEAL WITH THEIR  
SHORT AND MEDIUM TERM ENERGY PROBLEMS AND 2) TO  
PROMOTE PRODUCER/CONSUMER COLLABORATION IN RE-  
SEARCHING, DEVELOPING AND EXPLOITING FUTURE ENERGY  
SOURCE. HE URGED PROMPT ACTION IN CIEC TO  
IMPLEMENT THE UNCTAD RESOLUTION ON DEBT. HE SAID  
CIEC SHOULD ASSIST IN DEVELOPING EFFICIENT  
MECHANISMS FOR TRANSFERRING TECHNOLOGY THAT ARE  
RESPONSIVE TO THE CONCRETE NEEDS OF DEVELOPING  
COUNTRIES. HE SUGGESTED EXTENSIVE TREATMENT OF  
FOREIGN INVESTMENT, INCLUDING THE PROMOTION OF THE  
PROPER CLIMATE FOR SUSTAINED INVESTMENT. HE SAID  
THE COMMISSIONS SHOULD EXAMINE THE PROBLEMS OF THE  
MOST NEEDY AND LEAST DEVELOPED COUNTRIES. (UNDER  
SECRETARY ROGERS' FULL STATEMENT IS BEING TRANS-  
MITTED BY SEPTEL.)

JAPAN SUGGESTED THE FOLLOWING AREAS OF  
CONCENTRATION: ENERGY-WAYS TO ENSURE SMOOTH  
TRANSITION TO POST-OIL ENERGY PERIOD; RAW MATERIALS-  
FOLLOW-UP ON UNCTAD WORK; DEVELOPMENT-TRADE,  
TRANSFER OF TECHNOLOGY, AND TRANSFER OF RESOURCES;  
FINANCE- "PRACTICAL SOLUTIONS TO PROBLEMS."

THE SWEDISH DELEGATE APPROVED A COOPERATION  
FOCUS IN THE ENERGY COMMISSION; EXPRESSED THE HOPE  
THAT WORK IN THE RAW MATERIALS COMMISSION WOULD LEAD  
TO POLITICAL SOLUTIONS FOR DISPUTED ASPECTS IN THE  
INTEGRATED PROGRAM AND COMMON FUND; URGED SPECIAL  
ATTENTION BE GIVEN TO THE SUBJECT OF INVESTMENT IN  
RAW MATERIALS; CALLED FOR A SYSTEMATIC APPROACH  
TO THE IMPLEMENTATION OF THE 0.7 PERCENT GNP TARGET  
FOR ODA AND IMPROVEMENT IN THE QUALITY OF AID; AND  
SAID CIEC SHOULD GO FURTHER ON DEBT THAN MERELY  
RECOGNIZING ITS SERIOUSNESS TO THE MSA AND LEAST  
DEVELOPED COUNTRIES.  
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THE INDIAN DELEGATE SAID CIEC SHOULD SECURE GENERAL ACCEPTANCE OF THE 0.7 ODA TARGET, RECOGNIZE AND ACT ON THE DEVELOPMENT ASPECT OF DEBT RELIEF, AND EXERT ITS "POWERFUL INFLUENCE" FOR PREFERENTIAL TRADE TREATMENT FOR LDCS IN THE MTN.

IN A MORE GENERAL STATEMENT, THE SWISS DELEGATE OUTLINED TWO MAJOR OBJECTIVES FOR THE REST OF CIEC- TO SEEK A "SATISFACTORY FUNCTIONING OF THE WORLD ECONOMY" AND TO "PROMOTE DEVELOPMENT." HE CONCLUDED BY SAYING THAT ACHIEVEMENT OF THESE OBJECTIVES REQUIRED INTERNATIONAL COOPERATION BASED NOT ON THE OLD DONOR/BORROWER RELATIONSHIP BUT ON PARTNERS HAVING EQUAL RIGHTS AND OBLIGATIONS FOR THE WORLD ECONOMIC SYSTEM.

16. OBSERVERS- AT G-8 CAUCUS ON JULY 7TH, GROUP AGREED UNANIMOUSLY TO SUPPORT OECD SECGEN VAN LENNEP'S LETTER TO EXECUTIVE SECRETARY GUITTON REQUESTING OBSERVER STATUS. US (GREENWALD) SUGGESTED PER STATE 160415 THAT ALL REGULAR OBSERVERS BE INVITED BUT WITHOUT THE RIGHT TO SPEAK. (MISSION HAD EARLIER SPOKEN TO VAN LENNEP AND CANADIANS TO SUGGEST COURSE OUTLINED IN STATE MESSAGE. BUT VAN LENNEP APPARENTLY CHOSE TO WRITE DIRECTLY TO GUITTON.) FOLLOWING G-8 CAUCUS, CANADIANS TOOK MATTER UP WITH VENEZUELAN WHO REFUSED TO AGREE TO OECD REQUEST. THEREFORE, A SENIOR OFFICIALS MEETING ONLY OBSERVER WAS UN DEPUTY SECGEN VAN LAETHAN REPRESENTING WALDHEIM. VAN LAETHAM MADE STATEMENT, AND INDICATED THAT UNCTAD SECGEN COREA (PRESUMABLY PRESENT UNDER SAME UMBRELLA) WOULD SPEAK ON JULY 9. TURNER

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